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TRANSCRIPT OF RECORD

Supreme Court of the United States

OCTOBER TERM, 1945

No. 47

TALBOT MILLS, PETITIONER,

vs.

COMMISSIONER OF INTERNAL REVENUE

ON WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE FIRST CIRCUIT

PETITION FOR CERTIORARI FILED MARCH 22, 1945.

CERTIORARI GRANTED APRIL 30, 1945.

UNITED STATES CIRCUIT COURT OF APPEALS FOR THE FIRST CIRCUIT.

OCTOBER TERM, 1943.

No. 4015.

TALBOT MILLS,

PETITIONER FOR REVIEW,

v.

COMMISSIONER OF INTERNAL REVENUE.

PETITION FOR REVIEW OF DECISION OF THE TAX COURT OF THE UNITED STATES.
DECISION, FEBRUARY 12, 1944.

RECORD ON PETITION FOR REVIEW.

MELVILLE F. WESTON,
POWERS & HALL,
for Petitioner.

SAMUEL O. CLARK, JR.,
ASSISTANT ATTORNEY GENERAL,
SEWALL KEY,
SPECIAL ASSISTANT TO THE ATTORNEY GENERAL,
for Commissioner of Internal Revenue.

BOSTON:
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1944

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UNITED STATES CIRCUIT COURT OF APPEALS FOR THE FIRST CIRCUIT.

OCTOBER TERM, 1943.

No. 4015.

TALBOT MILLS,
PETITIONER FOR REVIEW,
v.
COMMISSIONER OF INTERNAL REVENUE.

RECORD ON PETITION FOR REVIEW.

[FILED IN CIRCUIT COURT OF APPEALS JUNE 27, 1944.]

Docket No. 1066

TALBOT MILLS, Petitioner,
v.
COMMISSIONER OF INTERNAL REVENUE, Respondent.

APPEARANCES.

For Taxpayer:
MELVILLE F. WESTON, Esq.

For Commissioner:
M. L. SEARS, Esq.

DOCKET ENTRIES.

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Mar. 24 – Petition received and filed. Taxpayer notified. Fee paid.
Mar. 25 – Copy of petition served on General Counsel.
Apr. 24 – Answer filed by General Counsel.
Apr. 24 – Request for hearing in Boston, Massachusetts filed by General Counsel.
Apr. 27 – Notice issued, placing proceeding on Boston, Mass. calendar. Service of answer and request made.

July 29 – Hearing set Sept. 20, 194 , Boston, Mass.
Aug. 18 – Motion for leave to file amended answer, amended answer lodged, filed by General Counsel. 8-19-43. Granted.
Sept. 6 – Notice of appearance of Melville F. Weston as counsel filed.
Sept. 21 – Hearing had before Judge Arundell on the merits. Submitted. Stipulation of facts filed. Briefs as per Rules —Nov. 5, 1943. Nov. 20, 1943.
Oct. 4 – Transcript of hearing 9-21-43 filed.
Nov. 3 – Brief filed by General Counsel. Served 11-4-43.
Nov. 4 – Brief filed by taxpayer. 11-4-43 Copy served on General Counsel.
Nov. 13 – Notice of intention not to file reply brief filed by General Counsel.
Nov. 15 – Reply brief filed by taxpayer. 11-15-43 Copy served on General Counsel.

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Jan. 21 – Findings of fact and opinion rendered, Arundell, Judge, Div. 7. Decision will be entered under Rule 50. 1-21-44 Copy served.
Feb. 9 – Computation of deficiency filed by General Counsel. Agreed to.
Feb. 11 – Decision entered, Arundell, Judge, Div. 7.
May 2 – Petition for review by U. S. Circuit Court of Appeals, 1st Circuit, filed by taxpayer.
May 2 – Designation of contents of record filed by taxpayer.
May 3 – Notice of filing petition for review sent to J. P. Wenchel filed.
May 4 – Proof of service filed.
May 17 – Amendment to designation of record filed by taxpayer.
May 24 – Proof of service of designation of contents of record and amendment to designation of record filed by taxpayer.

June 8 – Stipulation with respect to corrections in stenographic transcript filed.

June 10 – Order granting time to 7-31-44 to prepare and transmit the record entered.

[Title omitted.]

(EXCERPTS FROM) PETITION.

[Filed March 24, 1943.]

The above-named petitioner hereby petitions for a redetermination of the deficiency set forth by the Commissioner of Internal Revenue in his notice of deficiency, Bureau Symbols TMK:HWL:WJM:c, dated January 7, 1943, and as a basis of its proceeding alleges as follows:

1. The petitioner is a Massachusetts corporation with a principal office at Faulkner Street, North Billerica, Massachusetts. The return for the period here involved was filed with the Collector for the District of Massachusetts.

2. The notice of deficiency, a copy whereof is attached hereto marked Exhibit A, was mailed to the petitioner on January 7, 1943. Reference is made in this notice to "the report of examination dated November 4, 1941" and there is therefore attached hereto, marked Exhibit A-1, a series of excerpts from that report of examination, being those parts material to the issues set out in the assignments of errors below (and which may be thought necessary to "elucidate" the determination.)

3. The taxes in controversy are income and declared value excess profits taxes for the fiscal year ended September 30, 1940, and in the amount of $9,177. (The total deficiency amounts to $9,784.81, but certain minor adjustments are not contested.)

4. The determination of the tax set forth in the said notice of deficiency (to the extent of the said sum of $9,177, or such other sum as may be properly computed in the premises) is based upon the following errors:

1. The determination that "(d) Interest on stockholders notes 40,000.00" constituted an "unallowable deduction" under the Internal Revenue Code.—See Exhibit A. pp. 1, 3.

2. The determination that the said amount of $40,000, deducted as interest in the 1940 income and excess profits tax return, did not represent interest within the meaning of Section 23(b) of the Internal Revenue Code.—See Exhibit A, p. 3.

No errors are assigned here to the contents of Exhibit A-1, though much of the same appears erroneous, as the deficiency notice merely shows the same to have been "considered", not, apparently, adopted.

5. The facts upon which the petitioner relies as the basis of these proceedings are as follows:

(*a*) On October 2, 1939, the petitioner made an exchange with its stockholders whereby the petitioner issued an aggregate amount of $400,000 of registered notes dated October 2, 1939, in exchange for 4,000 shares out of the 5,000 outstanding shares of the petitioner's $100 par value capital stock. This exchange was made pursuant to the vote of the petitioner's stockholders taken at a stockholders' meeting held September 29, 1939, at which a plan of reorganization embodying the said exchange was approved and adopted, and the carrying out of the same was authorized and directed, all such action being the unanimous action of all the stockholders.

(*b*) On September 29, 1939, the stockholders also voted unanimously to reduce the capital stock of the corporation from $500,000, consisting of 5,000 shares of $100 par value, to $100,000, consisting of 1,000 shares of $100 par value, such reduction to be effected by the cancelling and retiring of the 4,000 shares to be acquired upon the above exchange. On October 10, 1939, the Articles of Amendment embodying this reduction of capital, as required by the laws of the Com-

monwealth of Massachusetts, were duly filed and the same were thereafter duly approved by the Commissioner of Corporations and Taxation.

(*c*) A copy of the form of registered note issued under date of October 2, 1939, as above, is annexed hereto marked Exhibit B. By inadvertence the petitioner was therein described as "Talbot Mills, Inc.", where as in fact the corporate name of the petitioner is "Talbot Mills". But this is the form which has actually been used for the issuance of all the notes and the "Talbot Mills, Inc." therein referred to is in fact the petitioner corporation and none other.

(*d*) In the fiscal year ended September 30, 1940, the net earnings of the petitioner, computed in accordance with the regular bookkeeping methods and practices of the petitioner, as established from time to time in good faith by its directors and officers, amounted, without deduction for federal income taxes paid or accrued and without deduction for interest upon the notes, to an aggregate sum two-thirds whereof equalled a sum largely in excess of $40,000. As a result thereof the rate of interest upon said notes for said fiscal year ended September 30, 1940, was duly determined, in accordance with the terms of the said notes, to be at the rate of 10 per cent for the said fiscal year.

(*e*) During the entire fiscal year ended September 30, 1940, there were at all times outstanding an aggregate amount of $400,000 of said notes. The total amount of interest payable upon said notes at the above rate for and on account of the said fiscal year was, therefore, $40,000. The petitioner kept and keeps its books and made and makes its returns upon an accrual basis and it therefore accrued upon its books for the fiscal year ended September 30, 1940, and deducted in its 1940 income and declared value excess profits tax return, the said sum of $40,000 as interest upon said notes for said fiscal year.

(*f*) Said exchange described in sub-paragraph (a) above was actual and bona fide and said notes were issued for a

genuine, full and adequate consideration and during the fiscal year in question and at all times subsequent have remained outstanding as the valid and enforceable interest-bearing money obligations of the petitioner. The said sum of $40,000 accrued upon the petitioner's books for and on account of the said fiscal year and deducted in its return for said year constituted in fact and in law interest for said year upon its said obligations.

Wherefore the petitioner prays that this court may hear the proceedings and set aside the Commissioner's said determination and redetermine the said deficiency in such sum, if any, as may remain after due allowance, in the computation of the petitioner's net income for the said fiscal year, of said sum of $40,000 as a deduction for interest accrued within said year upon indebtedness of the petitioner.

TALBOT MILLS,
by THOMAS TALBOT CLARK,
President and Treasurer.
Faulkner Street, North Billerica, Massachusetts

COMMONWEALTH OF MASSACHUSETTS.
MIDDLESEX, ss.

Thomas Talbot Clark, being duly sworn, says that he is the president and treasurer of the above-named petitioner Talbot Mills, and as such duly authorized to verify the foregoing petition; that he has read the foregoing petition, or had the same read to him, and is familiar with the statements contained therein and that the statements contained therein are true.

THOMAS TALBOT CLARK.

Subscribed and sworn to before me this twenty-second day of March, 1943.

RICHARD H. LANIGAN,
Notary Public.

My Commission Expires February 9, 1945.

* * * * * *

[Title omitted.]

(EXCERPTS FROM) AMENDED ANSWER.

[Filed August 18, 1943.]

Comes now the Commissioner of Internal Revenue, by his attorney, J. P. Wenchel, Chief Counsel, Bureau of Internal Revenue, and for amended answer to the petition filed in this proceeding, admits, denies and alleges as follows:

1. Admits the allegations contained in paragraph 1 of the petition.

2. Admits that the notice of deficiency, a copy of which is attached to the petition and marked Exhibit A, was mailed to the petitioner on January 7, 1943. Denies the remaining allegations contained in paragraph 2 of the petition.

3. Admits the taxes in controversy are income and declared value excess-profits taxes for the fiscal year ended September 30, 1940 and that certain adjustments are not contested. Denies the remaining allegations contained in paragraph 3 of the petition.

4. 1 and 2. Denies the assignments of error contained in paragraph 4, 1 and 2 of the petition.

5. (*a*) to (*d*), inclusive. Denies the allegations of fact and conclusions of law contained in paragraph 5 (*a*) to (*d*), inclusive, of the petition.

(*e*) Admits the petitioner deducted in its 1940 income and declared value excess-profits tax return the sum of $40,000 as interest. Denies all other matter contained in paragraph 5 (*e*) of the petition.

(*f*) Denies the allegations of fact and conclusions of law contained in paragraph 5 (*f*) of the petition.

Denies generally and specifically each and every allegation contained in the petition, not hereinbefore admitted, qualified, or denied.

6. For further answer, respondent alleges that as a result of a mathematical error, the deficiency asserted in the notice of deficiency should have been for income tax in the amount of $7,546.96

and declared value excess-profits tax in the amount of $2,415.73, or a total amount of $9,962.69.

7. In support of the foregoing allegation the respondent relies on the following facts:

a. In the computation contained in the statement annexed to the deficiency letter the respondent failed to assert the defense tax with respect to declared value excess-profits tax in accordance with Section 204(b) of the Revenue Act of 1940.

b. The proper computation is as shown in the annexed revised audit statement annexed hereto and made a part hereof.

c. By correcting the said mathematical error above referred to, the deficiency in income tax is reduced by $41.73 and the deficiency in declared value excess-profits tax is increased by $219.61 for which latter amount the respondent asserts a claim.

Wherefore, it is prayed that the appeal be denied and that the deficiency be found in the increased amount herein claimed.

J. P. WENCHEL, CPR,
Chief Counsel, Bureau of Internal Revenue.

Of Counsel:

CHARLES P. REILLY,
Division Counsel.

MELVIN L. SEARS,
Special Attorney, Bureau of Internal Revenue.

[Title omitted.]

STIPULATION OF FACTS.

[Filed September 21, 1943.]

It is hereby stipulated and agreed by and between the petitioner, by its attorney, and the respondent, by his attorney, that the following are facts, and that this stipulation may be received on the trial of this proceeding, subject to the right of either party to object to the admission in evidence of any statement herein con-

tained on the ground that the same is irrelevant or immaterial, and subject also to the right of either party to introduce additional evidence not inconsistent herewith:

I. The petitioner herein, Talbot Mills, is a Massachusetts corporation, with a principal office at Faulkner Street, North Billerica, Massachusetts.

The petitioner filed its income and declared value excess profits tax return for its fiscal year ended September 30, 1940, in the office of the Collector of Internal Revenue for the District of Massachusetts at Boston, Massachusetts, on December 14, 1940. Said return showed a net income of $156,328.27, an income tax of $29,702.37, and no amount of declared value excess profits tax. A photostatic copy of said return may be introduced in evidence as Exhibit 1-A without objection.

It is agreed by the parties hereto that no inference shall be attached to the use in this stipulation of words of legal conclusion in description of the transaction herein involved. For example, but without limitation of the reservation to the words employed in the example, the use in this stipulation of the words "plan of reorganization", "interest" or "notes" does not by itself give rise to any inference that the transaction was pursuant to a plan of reorganization or was a reorganization or that the transaction produced an amount properly denoted as interest or that the instruments issued were notes within the meaning of such terms as used in, or properly used in the lawful application of, the Internal Revenue Code. For purposes of convenience the terminology employed by the petitioner is accepted but such terminology shall not in any way preclude respondent from arguing the non-deductibility as interest of the amount of $40,000 which is the subject of this proceeding. This reservation is in no wise intended to bar the drawing of all proper inferences from the facts themselves.

II. In its said return for the fiscal year ending September 30, 1940, in setting forth and computing its net income, the petitioner deducted the sum of $40,000 accrued as "interest". The said sum of $40,000 was paid as follows: $10,000—December 2, 1940;

$10,000—March 27, 1941; $20,000—September 15, 1941. The payments were made by the petitioner pursuant to the terms and provisions relating to "interest" of certain "notes" hereinafter described.

The petitioner kept and keeps its books and made and makes its returns upon an accrual basis.

III. On January 7, 1943, the Commissioner of Internal Revenue transmitted to the petitioner by registered mail a deficiency notice, a copy whereof may be introduced in evidence as Exhibit 2-B without objection.

IV. In said notice of deficiency the said deduction of $40,000 as "interest" was disallowed. Certain minor adjustments, not connected with said $40,000 deduction, were also made by the respondent and are not contested by the petitioner. The total deficiency determined by the respondent was in the sum of $9,784.81, whereof $7,588.69 was income tax and $2,196.12 was declared value excess profits tax. By amended answer the respondent now claims an increased deficiency based on a mathematical error in the deficiency notice. The deficiency now asserted is $9,962.69, of which $7,546.96 is income tax and $2,415.73 is declared value excess profits tax. Of these amounts $6,940.15 of income tax and all of the declared value excess profits tax is in controversy. The portion of the controversy, namely, $606.81, has, with the consent of the petitioner, been assessed and paid.

V. Prior to the commencement of the petitioner's fiscal year ending September 30, 1940, the petitioner had outstanding as its total capital stock 5,000 shares of (common) capital stock with a par value of $100 per share, or an aggregate capital stock of $500,000. It had a surplus appearing upon its books in the sum of $472,754.18, and the value of its said outstanding stock was not less than $100 per share at the time of the exchange hereinafter described. The stock was held on September 30, 1939, by fifteen stockholders who (with the exception of one holder of 10 shares to qualify as a director) were all members of the Talbot family by descent or marriage or were trusts created by such members.

VI. On September 14, 1939, there was submitted, at a meeting, duly held, of the Board of Directors of the petitioner a "plan of reorganization", a copy whereof is hereunto annexed, marked Exhibit 3-C. Annexed to said plan was a draft of a form of "Registered Note due December 1, 1964", which form was identical with the form of "note" finally adopted, a copy of which is annexed hereto marked Exhibit 4-D. At said directors' meeting, it was—

"VOTED: That the plan of reorganization and form of note annexed hereto be adopted and approved and that its adoption be recommended to the stockholders."

See further Exhibit 9-I annexed hereto.

VII. At a special meeting, duly held, of the stockholders of the petitioner on September 29, 1939, it was unanimously—

"VOTED: To approve and adopt the said Plan of Reorganization."

See further Exhibit 7-G annexed hereto.

VIII. At a meeting, duly held, of the Board of Directors of the petitioner, on September 29, 1939, following the stockholders' meeting above referred to, the unanimous action of the stockholders was reported and votes were passed in furtherance of said "plan", of the issuance and authentication of the "registered notes" of the petitioner, and of the exchange contemplated by the "plan" set forth in Exhibit 3-C annexed hereto. See further Exhibit 10-J annexed hereto.

IX. Pursuant to the said "plan of reorganization", the petitioner received from its stockholders on or before October 2, 1939, a total of 4,000 shares of its previously outstanding common capital stock, being four-fifths of the previous holdings of each stockholder, and held the same in its treasury available for cancellation. Shortly after that date, the petitioner issued, to each person who had so surrendered four-fifths of the shares held by him or by her, "registered notes" in the form shown in Exhibit

4-D annexed hereto, in aggregate face values equal to the aggregate par values of the shares so surrendered. Said "notes" bore date of October 2, 1939, which was the first business day of the petitioner's fiscal year ended September 30, 1940, October 1, 1939, having fallen on Sunday. The aggregate amount of the petitioner's "registered notes" thus issued in the form shown as Exhibit 4-D annexed hereto was $400,000.

Thereupon, at a meeting duly held of the petitioner's board of directors, on October 10, 1939, the consummation of the said exchange was reported and a further vote was had with respect to the retirement of said 4,000 shares and the reduction accordingly of the petitioner's outstanding capital stock, all as set forth in Exhibit 11-K annexed hereto.

Thereupon, on October 10, 1939, the president and treasurer of the petitioner, together with a majority of its board of directors, duly executed and filed with the Commissioner of Corporations and Taxation of the Commonwealth of Massachusetts, the Articles of Amendment embodying said reduction of capital, as required by the laws of the Commonwealth of Massachusetts, and the same were thereafter approved by the said Commissioner of Corporations and Taxation. A copy of said articles of amendment, with the Commissioner's said approval, is annexed hereto, marked Exhibit 5-E.

X. Due to delay in printing, the said "registered notes" of the petitioner, dated October 2, 1939, were not actually signed and delivered at the time that the shares of stock, exchanged for the same, were surrendered to the petitioner and cancelled and retired as above. All such "registered notes" were signed and delivered to the proper recipients by November 14, 1939. Subject only to this delay in actual delivery, said "registered notes" in the aggregate sum of $400,000 were outstanding, in the form annexed hereto as Exhibit 4-D, during the petitioner's entire fiscal year ended September 30, 1940. By inadvertence the petitioner was described in said form of "note" as "Talbot Mills, Inc.", whereas

the petitioner's correct corporate name is "Talbot Mills". Respondent does not contest the issues because of this misnomer.

XI. At a meeting, duly held, of the petitioner's board of directors, on September 17, 1940, it was—

> "VOTED: That the Treasurer of this corporation be and he hereby is authorized and directed to fix, as soon after the close of the current fiscal year as possible, as of the close of the current fiscal year, the rate of interest upon the registered notes of this corporation earned and accrued for and on account of the current fiscal year."

See further Exhibit 13-M annexed hereto.

Thereafter there were assembled by the petitioner's treasurer, with the assistance of the petitioner's regularly employed auditors, the figures relative to the petitioner's earnings for the fiscal year just ended, being the year in question in this case. The petitioner's computation showed a total "profit", computed in accordance with the requirements set forth in the "notes", for the fiscal year ending September 30, 1940, in the amount of approximately $197,464.14.

Thereupon, at a meeting duly held of the petitioner's board of directors, on November 27, 1940, the petitioner's treasurer reported that

> ". . . he had ascertained and fixed at 10 per cent the rate of interest applicable to the registered notes of this corporation for and on account of the fiscal year ended September 28, 1940, such rate of 10 per cent being a rate less than that computable with reference to the net earnings of said fiscal year under the terms of said notes and being the maximum rate provided by the terms of said notes.
>
> And thereupon, upon motion duly made and seconded, it was,
>
> VOTED: That the determination by the Treasurer as aforesaid be and hereby is accepted and approved."

See further Exhibit 14-N annexed hereto.

At the directors' meeting last mentioned, it was also voted to defer the payment of three-fourths of said "interest" which, under the terms of said "notes", would become payable (unless deferred) on December 1, 1940. At a directors' meeting on March 28, 1941, said deferment was partially terminated and at a directors' meeting on September 15, 1941, said deferment was wholly terminated.

XII. By votes of the petitioner's directors, at meetings duly held on October 10, 1939, and November 27, 1939, the said $400,000 of "registered notes" of the petitioner were subordinated as to both principal and interest to indebtedness of the petitioner maturing not later than December 1, 1964 to the First National Bank of Boston then in amounts as follows: $50,000, bearing interest at 4 per cent per annum, and $30,000, secured by life insurance as collateral and bearing interest at 3 per cent per annum and the New England Trust Company then in the amount of $50,000, and bearing interest at 4 per cent per annum, or either of them, and the petitioner executed and delivered an agreement dated October 10, 1939, with the said banks. A copy of said agreement is annexed hereto marked Exhibit 6-F. Said agreement was authorized by said meeting of October 10, 1939, and adopted and ratified by said meeting of November 27, 1939. At the same meetings the said "registered notes" of the petitioner were also voted to be subordinated to the then existing loan of Parker Wilder & Co. in the amount of $100,000, and bearing interest at 6 per cent. The said registered notes have not been subordinated to any other indebtedness of the petitioner. The subordinations have since been terminated after payment of the senior obligations above referred to.

XIII. If the court finds that the item of $40,000 hereinbefore described or any part thereof did constitute interest and was properly denoted as such, within the meaning of Section 23 (b) of the Internal Revenue Code, and was, in fact, to any extent an obligation of the petitioner, then it is agreed that it was to that extent an obligation during the fiscal year ending September 30, 1940, and that said amount to that extent was properly and correctly

accrued for and on account of said fiscal year in pursuance of that obligation.

XIV. Income was reported by petitioner in its Federal tax returns, and dividends were paid, in the fiscal years ending September 30, 1932 to 1942, inclusive, as follows:

Year	Income	Dividends Paid
1932	$(236,559.74)	10,000.00
1933	(55,175.58)	none
1934	(142,971.56)	none
1935	1,645.43	none
1936	(14,813.33)	none
1937	(86,320.92)	none
1938	(164,303.95)	none
1939	118,627.94	none
1940	156,328.27*	none
1941	368,518.48*	none
1942	351,087.96*	20,000.00

* As reported by petitioner after deducting the $40,000 interest in dispute.

XV. Notes and accounts payable at the close of the fiscal year September 30, 1932, to 1942, inclusive, other than the notes here in issue were in total amounts as follows:

Year	Amount
1932	$106,048.83
1933	218,072.98
1934	200,060.56
1935	236,680.52
1936	146,699.39
1937	214,163.28
1938	421,180.08
1939	538,223.36
1940	491,778.44*
1941	494,568.61*
1942	241,027.58*

* Excludes $400,000 notes here in issue.

XVI. Interest on the notes here in issue was paid as follows:

	Date Paid	Amount Paid
Accrued in fiscal year Sept. 30, 1940—40,000	Dec. 2, 1940	10,000.00
	Mar. 27, 1941	10,000.00
	Sept. 15, 1941	20,000.00
Accrued in fiscal year Sept. 30, 1941—40,000	Dec. 1, 1941	10,000.00
	Feb. 26, 1942	10,000.00
	May 29, 1942	20,000.00
Accrued in fiscal year Sept. 30, 1942—40,000	Dec. 1, 1942	40,000.00

XVII. Interest on notes payable, as shown by petitioner's books for the fiscal year ending September 30, 1940, was as follows:

Date of Note	Payable to	Face	Rate %	Amount	Total
7/20/39	New England Trust Co.	$50,000.	4	$109.55	
10/28/39	New England Trust Co.	50,000.	4	500.00	
1/18/40	New England Trust Co.	50,000.	3½	442.36	
4/26/40	New England Trust Co.	50,000.	3½	442.36	
7/18/40	New England Trust Co.	50,000.	3½	350.00	
7/20/39	The First National Bank of Boston	50,000.	4	109.55	
7/12/39	The First National Bank of Boston	35,000.	3	306.45	
10/28/39	The First National Bank of Boston	50,000.	4	500.00	
(1) 1/30/40	The First National Bank of Boston	35,000.	2½	442.36	
1/18/40	The First National Bank of Boston	50,000.	3½	442.36	
4/26/40	The First National Bank of Boston	50,000.	3½	442.36	
(1) 7/13/40	The First National Bank	40,000.	2½	216.65	
7/18/40	The First National Bank	50,000.	3½	350.00	
	Total Interest on Notes Payable				$4,654.00

(1) Secured by pledge of life insurance policies.

	%	Total
Interest on Wool Purchasers (Paid to Parker Wilder & Co.)	6	$9,332.75
Interest on Parker Wilder Current Account	6	20,851.05
(2) Interest on Machinery Loan (Paid to Parker Wilder & Co.)	6	3,558.34
Interest on U. S. Marine Corp. Claim	6	378.69
Interest on Additional Tax Assessments	6	12.68
Sub-Total		$38,787.51
(3) Interest on Registered Notes $400,000.	10	40,000.00
Total Interest Expense		$78,787.51

XVIII. Minutes of stockholders' and directors' meetings of the Talbot Mills are annexed hereto as follows:

Stockholders,

Meeting of September 29, 1939, Exhibit 7-G

Directors,

Meeting of May 8, 1939	Exhibit 8-H
Meeting of Sept. 14, 1939	Exhibit 9-I
Meeting of Sept. 29, 1939	Exhibit 10-J
Meeting of Oct. 10, 1939	Exhibit 11-K
Meeting of Nov. 27, 1939	Exhibit 12-L
Meeting of Sept. 17, 1940	Exhibit 13-M
Meeting of Nov. 27, 1940	Exhibit 14-N
Meeting of Mar. 28, 1941	Exhibit 15-O
Meeting of Sept. 15, 1941	Exhibit 16-P
Meeting of Nov. 24, 1941	Exhibit 17-Q

MELVILLE F. WESTON,
Counsel for Petitioner.

J. P. WENCHEL,
Chief Counsel, Bureau of Internal Revenue,
Counsel for Respondent.

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(2) Subordinated to bank loans.

(3) Subordinated to bank loans and Parker Wilder machinery loan.

EXHIBIT 3-C.

PLAN OF REORGANIZATION DATED SEPTEMBER 14, 1939

The following Plan of Reorganization is submitted for adoption by the directors and stockholders of the corporation. It is desirable, and therefore provided, that it shall be adopted only by affirmative vote of a majority of the board of directors and unanimous affirmative vote of the stockholders voting at a special meeting of stockholders to be called for the purpose. The plan calls for the recapitalization of the corporation by two steps, which are summarized as follows:

Step 1. The exchange by the corporation with each stockholder, for four-fifths (4/5ths) of such stockholder's holdings of the capital stock of the corporation, of registered notes of the corporation in the form of the draft form of note annexed hereto and in aggregate face value equal to the aggregate par value of the stock so taken in exchange. It is provided that the exchange shall be made only at such time as every stockholder shall have deposited with the corporation certificates of stock representing four-fifths (4/5ths) of the stock standing in his name upon the Stock Transfer Book of the corporation, accompanied by his irrevocable power of attorney authorizing any officer of the corporation to exchange such stock for notes of the corporation as above provided when like deposit, accompanied by a like power of attorney, shall have been made by all the stockholders of the corporation. It is further provided that, unless such deposits of stock shall have been made by all stockholders on or before October 2, 1939, the plan shall be deemed to have been abandoned, and all stock and powers of attorney deposited under it shall be returned to the stockholders entitled to the same, except that the board of directors may vote to extend the time for a period not exceeding thirty (30) days and if all the required stock has been deposited within such period such exchange may be made, effective as of said October 2, 1939.

Step 2. The reduction of the capital of the corporation to the extent of the par value of the shares taken in exchange for notes pursuant to Step 1, by the cancellation of such shares, the filing of articles of amendment setting forth such reduction of capital as required by Massachusetts law.

TALBOT MILLS, Inc.

By:— Treasurer.

Appended hereto was the draft form of "Registered Note due December 1, 1964", identical with the form of note annexed to the petition on file in this case marked "Exhibit B", and being also Exhibit 4-D annexed hereto.

EXHIBIT 4-D.

Talbot Mills, Inc.

REGISTERED NOTE DUE DECEMBER 1, 1964

$..... No.....

North Billerica, Mass., October 2, 1939.

For Value Received, the undersigned, Talbot Mills, Inc., hereinafter called the corporation, hereby promises to pay to

.....(Name of Payee)

.....(Address)

or assigns the sum of Dollars on December 1, 1964 (with the right to make payment earlier, as hereinafter provided), with interest payable at the dates and in the amounts hereinafter set forth for such time as said principal sum or any part thereof may remain unpaid. Both principal and interest are payable at the principal office of the company in North Billerica, Massachusetts, or at the Union Old Lowell National Bank in Lowell, Massachusetts. This note is one of a series of notes aggregating in total principal amount the sum of Four Hundred Thousand ($400,000) Dollars, all dated October 2, 1939, and having the same maturity and the same provisions relative to interest (the notes of such series being hereinafter sometimes called "these notes").

Interest hereon shall be payable annually on December 1 of each year for and on account of the fiscal year of the corporation ended last previous to such December 1, the first such date for the payment of interest being December 1, 1940 at a rate which shall not exceed 10 per cent nor be less than 2 per cent and, subject to these limitations, shall be a rate computed as follows:—There shall be taken a sum equal to two-thirds (2/3ds) of the net earnings of the corporation for the fiscal year ended last previous to such December 1, computed in accordance with the regular bookkeeping methods and practices of the corporation as established from time to time in good faith by its directors and officers but without deduction for federal income taxes paid or accrued and without deduction for interest upon these notes, and the rate of interest shall be the rate, figured to the nearest one-quarter per cent (1/4%) which such sums would represent as interest upon an assumed principal sum of Four Hundred Thousand ($400,000) Dollars. Provided, nevertheless, that from and after the close of the fiscal year ended next previous to December 1, 1964, and for such further time as this note shall remain unpaid, interest shall be at the rate of six per cent (6%) per annum, and such interest to December 1, 1964 shall be included in the installment payable at that date.

The corporation shall have the power, by vote of its Board of Directors, to defer the payment of all or part of any annual installment of interest for such time as the directors may in good faith determine to be necessary by reason of the condition of the corporation, without incurring liability for interest upon such deferred installment of interest, provided that such suspension of payment shall in no wise relieve the corporation of the obligation to pay the amount suspended at some future time and shall in no event operate to defer payment beyond December 1, 1964. The corporation covenants that it will pay no dividends upon any shares of stock of the corporation unless and until all then due interest upon these notes, including interest which may have been postponed as aforesaid, shall have been paid in full.

In the event of bankruptcy, receivership or like proceeding, dissolution or any liquidation, whether voluntary or involuntary, of the corporation, the principal sum hereof shall become immediately due and payable, together with all interest accrued to such date and unpaid, including interest at six per cent (6%) per annum for the period from the close of the fiscal year ended next previous to such event to the date of such event, and notwithstanding any vote of postponement affecting any accrued and unpaid interest.

No mortgage of the real estate of the corporation or of its machinery and equipment, to secure an obligation any part of which matures subsequent to December 1, 1964, other than a purchase money mortgage, shall at any time be made while any of these notes shall be outstanding, without the consent in writing of the holders of at least three-fifths (3/5ths) in amount of the total amount of these notes at the time outstanding.

The corporation shall have authority, by vote of its board of directors, to subordinate all of these notes as to both principal and interest to any other indebtedness of the corporation maturing not later than December 1, 1964, existing at or after the time of such vote and described therein by specific reference or in general terms, and such vote shall (whether any formal subordination agreement be executed or not) be effective to bind each holder of any of these notes to such subordination, with the same full force and effect as if such holder had directly entered into an agreement for subordination in accordance with the terms of such vote; and the corporation shall further have authority to enter into a formal subordination agreement with any creditor or creditors to the indebtedness to whom these notes shall so have been subordinated, which agreement shall contain the terms of such vote of subordination and such other and further appropriate terms and provisions as may be required by such creditor or creditors; and each holder of this note, by acceptance hereof, does irrevocably appoint the corporation his agent and attorney in fact to effect such subordination, without the necessity of any other or further

act, by means of such vote as aforesaid, and also, in the event that a formal subordination agreement be required by any creditor or creditors as above set forth, to enter into and execute such subordination agreement in such wise as fully to bind such holder to all the terms and provisions thereof as if executed by him as a principal, provided that no such subordination agreement shall impose upon any holder of any of these notes any personal liability other or further than the liability to pay or deliver to such creditor or creditors, so long as the indebtedness to such creditor or creditors to which these notes shall have been subordinated shall remain unsatisfied, any sum or sums or any security or securities or other property which shall be paid or delivered to such holder by the corporation or in connection with the reorganization of the corporation on account of or in substitution for any of these notes. No director or officer of the corporation shall be disqualified from acting as such director or officer in any vote or agreement of subordination by reason of being the creditor or one of the creditors to the indebtedness to whom these notes are subordinated by such vote or agreement.

Except as otherwise provided in a subordination vote or agreement at the time outstanding and in force, the corporation may at any time pay and retire these notes at par plus all interest accrued and unpaid, including interest at the rate of six per cent (6%) per annum for the period from the close of the fiscal year ended next previous to the date designated for payment to such date for payment, provided that if it pays and retires at one time less than all of the like notes at the time outstanding, it shall pay such proportion of the notes held by each record holder thereof as the aggregate amount which the corporation has elected to pay bears to the total aggregate of notes then outstanding. Notice of the election and intention of the corporation to make such payment shall be given by mail to the registered holders of the notes on a date at least thirty (30) days prior to the date designated in said notice as the date of payment, and if at the expiration of such thirty-day period of notice this note shall not have been pre-

sented by the holder for payment as aforesaid, then the corporation shall deposit in any national bank or trust company in Lowell, Massachusetts or Boston, Massachusetts, in the name of, or for the use and benefit of, the record holder of this note the entire amount required for making payment thereon in accordance with such notice, and upon such notice being duly given and payment made or such deposit made, all liability under this note shall thereupon cease and determine, provided that if less than the full face of the note shall have been called for payment, a new note for the uncalled balance, in all respects identical herewith except for the lesser principal sum, shall be executed and delivered to such holder upon the surrender of this note, or the corporation may at its option stamp the amount paid on the previously outstanding note, whereupon said note shall remain in force and effect as modified thereby.

In the event of any change in the fiscal year of the corporation the earnings of the corporation, for the purpose of the computation of the rate of interest due on these notes, shall continue to be computed on the basis of the fiscal year of the corporation as in force at the time of the issuance of these notes, provided that with the consent of the holders of three-fifths (3/5ths) in amount of the total amount of these notes at the time outstanding, appropriate provisions may be made for altering the dates for the payment of interest and periods for the computation of the rate of interest to conform to any changed fiscal year which the corporation may have adopted. With the written consent of the corporation and of the holders of three-fifths (3/5ths) in amount of the total amount of these notes at the time outstanding, filed with the corporation, any of the terms and provisions of this series of notes may be altered or amended so as to bind the corporation and every holder, whether consenting or not, provided that no such change shall:—(a) extend the date for the maturity of the principal of the notes; (b) alter the rate of interest or the method of computing the rate of interest, except in so far as required for an adjustment to a changed fiscal year as above; (c) diminish the

principal amount payable at maturity or the amount to be paid upon any earlier payment as above provided; or (d) vacate or diminsh the effect of any subordination previously voted and in force.

This note is transferable only by the owner hereof, by endorsement at the back hereof in the form provided for the purpose, and upon notation of such transfer hereon by the corporation by the clerk of the corporation or some other agent duly designated by vote of its directors for such purpose (who may, but need not be, a director or officer or employee of the corporation). The corporation may deem and treat the person in whose name this note is registered as the absolute owner hereof for the purpose of receiving payments of or on account of the principal and interest due hereon and for all other purposes, and shall not be required to recognize any other person whatsoever. Upon any transfer, the corporation may, but shall not be required to, issue a new note for a principal sum equal to the aggregate of any two or more notes presented to it for transfer, or issue two or more notes for an aggregate principal sum equal to the principal sum of one note so presented to it for transfer. Every transferee or other holder, by accepting this or any substitute note, shall by force thereof be deemed irrevocably to consent and agree to all the terms of such note and to all the terms and provisions of any vote or agreement of subordination which before such acceptance has been, or which shall thereafter be, passed or entered into pursuant to the terms of such note or of any previously outstanding note of this series, and to agree that no director, officer, agent or shareholder of the corporation shall be held, either directly or indirectly, or through any trustee, receiver or assignee, or through any proceeding, legal or equitable, to any personal liability, by reason of any agreement herein. In the event that any note shall appear to have been lost or destroyed, the corporation shall have the right, but shall not be required, to issue a substitute note upon such terms and conditions, as to indemnity or otherwise, as the corporation by vote of its Board of Directors may prescribe. In every case in which

a substitute note shall be issued, whether to take the place of a note said to be lost or destroyed or upon a transfer or to take care of an uncalled balance or otherwise, the corporation shall have the right to make upon such substitute note any and all endorsements or entries which, consistent with the general terms and provisions hereof, it may deem needful or appropriate for the protection of the corporation against any duplication of liability, either as to principal or interest, by reason of the issuance of such substitute note.

In Witness Whereof, Talbot Mills, Inc. has caused these presents to be executed in its name and behalf and its corporate seal to be hereto affixed by its duly authorized officer or officers as of October 2, 1939.

TALBOT MILLS, Inc.

Signed by _____, Treasurer

Countersigned by _____, President

Identified as one of the series of notes hereinbefore referred to:

Clerk or Other Agent
Designated by the Directors as above.

Signature of Transferor	Name of Transferee	Address of Transferee	Date of Transfer	The Within Transfer of This Note Is Authenticated

Clerk or Other Agent of the Corporation Designated by the Directors

EXHIBIT 5-E.

The Commonwealth of Massachusetts
Department of Corporations and Taxation
Henry F. Long, Commissioner
236 State House, Boston

REDUCTION OF CAPITAL

The fee for filing to accompany this certificate is $10.00. Checks should be made payable to The Commonwealth of Massachusetts.

This certificate must be submitted to the Commissioner of Corporations and Taxation within thirty days after the date of the meeting at which the amendment was adopted. Section 43, Chapter 156, General Laws, Ter. Ed.

Articles of Amendment

We, Thomas Talbot Clark President and Treasurer and J. Colby Bassett Lincoln Clark John M. Eaton M. Allison Taylor being a majority of the directors of Talbot Mills, Inc. located at North Billerica, Massachusetts in compliance with the provisions of chapter 156 of the General Laws, Tercentenary Edition, do hereby certify that at a meeting of the stockholders of the corporation, duly called for the purpose, held September 29 1939, and by the affirmative vote of 5,000 shares of the common stock of the corporation, being at least a majority of all the stock outstanding and entitled to vote, the following amendment authorizing a reduction in the capital stock of the corporation was duly adopted, namely:

[Here insert an exact copy of the vote or votes authorizing the reduction.]

the capital stock of this corporation be and hereby is reduced from $500,000, consisting of 5,000 shares of $100.00 par value each, to $100,000, consisting of 1,000 shares of $100.00 par value each, such reduction to be effected by the cancelling and retiring of 4,000 shares heretofore issued and outstanding which are presently to be acquired by the corporation in

exchange for a certain issue of registered notes of the corporation;

the Agreement of Association and Articles of Organization of this corporation, as heretofore amended, be and each hereby is further amended by striking out the provisions thereof stating the total amount of its authorized capital stock, the par value of its shares and the number of its shares, and by substituting therefor the following:

"The total authorized capital stock with par value is $100,000—the par value of its shares is Common $100.00—the number of its shares with par value is Common 1000."; and

Articles of Amendment be prepared executed and filed as required by law, setting forth the foregoing reduction of capital;

provided that this vote shall, without the necessity of other or further action by the stockholders, take effect at such time as the corporation shall by the exchange of its registered notes for stock as above referred to * have acquired and hold in its treasury, available for cancellation to accomplish the purposes of this vote, 4,000 shares of its presently outstanding common capital stock, the time of such acquisition and hence the effective time of this vote to be conclusively determined by the action of the proper officers of the corporation in including in the Articles of Amendment "Reduction of Capital", to be filed as aforesaid, a statement ** with respect to the same.

---

* The reference is to a vote earlier at the same meeting adopting a plan of reorganization which called for the issue of a series of registered notes in exchange for 4000 shares of capital stock.

** Pursuant to this authority it is hereby stated that said 4000 shares of common capital stock were by such exchange duly acquired and held in the company's treasury, available for cancellation to accomplish the purposes of the above vote on October 2, 1939 and that the above vote hence took effect on October 2, 1939.

That the total amount of capital stock already authorized is

None shares preferred.
5000 shares common.
None shares without par value.

That the amount of capital stock already issued is

None shares preferred.
5000 shares common.
None shares without par value.

That the amount of reduction of capital stock with par value now authorized by the stockholders is $400,000 consisting of 4000 shares of $100 par value each.

The manner in which said reduction will be effected is as follows: By cancelling 4000 shares acquired by the corporation in exchange for an issue of its notes, as set forth above.

In Witness Whereof, we have hereto signed our names Under the Penalties of Perjury, this 10th day of October in the year 1939.

THOMAS TALBOT CLARK, Pres. Treas. & Director
J. COLBY BASSETT, Director
LINCOLN CLARK, Clerk & Director
JOHN M. EATON, Director
M. ALLISON TAYLOR, Director

(CORPORATE)
(SEAL)

[On back:]

Write Nothing Below
Talbot Mills
fee $10. paid
Articles of Amendment—Reduction of Capital

General Laws, Ter. Ed., Chapter 156, Section 45 Filed in the office of the Secretary of the Commonwealth, October 11, 1939

I hereby approve the within certificate, this 11th day of October 1939

HENRY F. LONG
Commissioner of Corporations and Taxation

(EXCERPTS FROM) EXHIBIT 6-F.

An Agreement made this 10th day of October, 1939, by Talbot Mills, Inc. (hereinafter called the "Mills") and the holders of notes of the series hereinafter described (hereinafter called the "Noteholders") with The First National Bank of Boston and The New England Trust Company (hereinafter called the "Banks").

Whereas the Mills is indebted to each of the Banks in the amount of fifty thousand dollars ($50,000), and may hereafter become indebted to the Banks for further advances (said present indebtedness, whether represented by the notes now outstanding or by any notes or obligations given in renewal thereof or in substitution therefor, together with all future indebtedness to the Banks maturing not later than December 1, 1964, or either of them, and all interest accrued or accruing on any such indebtedness, being hereinafter called the "Bank Indebtedness"), and has outstanding a series of promissory notes in the aggregate amount of four hundred thousand dollars ($400,000), all dated October 2, 1939, and maturing December 1, 1964 (hereinafter called the "Notes"); and

Whereas each of the Notes provides in substance that the holder, by the acceptance thereof, authorizes the Mills, by vote of its Board of Directors, to subordinate the Notes to any indebtedness of the corporation existing at the time of such vote or thereafter arising, and further authorizes the Mills to execute a subordination agreement containing such appropriate terms and provisions as may be required by any creditor or creditors of the Mills to the indebtedness to whom the Notes have been so subordinated; and

Whereas the Mills, by vote of its Board of Directors as duly passed at a meeting held on October 10, 1939, has subordinated all of the Notes to the Bank Indebtedness, and the Banks have required the execution and delivery of this agreement of subordination as a condition of their refraining from demanding payment of the Bank Indebtedness;

Now, Therefore, this agreement witnesseth that in consideration of the premises, and in order to induce the Banks not to demand payment, the Mills and the Noteholders agree with the Banks as follows:

1. The indebtedness represented by the Notes is hereby subordinated, both as to principal and interest, to the Bank Indebtedness.

2. So long as any part of the Bank Indebtedness shall remain unsatisfied, the Noteholders will not, without the prior written consent of each of the Banks, demand, accept or receive from the Mills any payment of principal of or interest on or any collateral or other security for the Notes held by them respectively, or any other notes or obligations in renewal of or in substitution therefor, except, pursuant to the exchange provisions contained in the Notes, another Note of the same tenor, and the Mills will not, without such written consent, pay any amount on account of the principal of or interest on, or give any collateral or other security for, any of the Notes or give any other Notes or obligations in renewal thereof or in substitution therefor, except as aforesaid, to any Noteholders.

3. In the event of any petition in bankruptcy being brought by or against the Mills, and in the event of any other proceedings for the liquidation of the Mills, either by its voluntary action or otherwise, the Noteholders will assign and pay over to the Banks, ratably in proportion to the amount of the Bank Indebtedness owed to them respectively, to the extent necessary to satisfy the Bank Indebtedness in full, any and all distributions and payments in respect of the Notes to which the Noteholders would be entitled in any such proceedings.

4. In the event of any proceedings affecting the Mills under any bankruptcy or insolvency laws, or any laws relating to the relief of debtors, readjustment, composition or extension of indebtedness, or reorganization of corporations or other debtors, any payment to which the Noteholders would be entitled under any plan of reorganization approved by the court shall be paid to the

Banks, ratably in proportion to the amount of the Bank Indebtedness owed to them respectively, to be applied on the Bank Indebtedness, and any securities or other property issued or issuable to the Noteholders under any such proceedings shall be assigned and delivered to the Banks ratably in proportion to the amount of the Bank Indebtedness owed to them respectively, to be held by them subject to the same terms of subordination to the Bank Indebtedness as are created by this instrument with respect to the Notes.

5. In order to carry out the terms and intent of this agreement more effectively, the Noteholders will do all acts necessary or convenient to preserve for the Banks the benefits of this subordination agreement, and will execute all agreements which the Banks may request for that purpose; provided, however, that no such agreement shall impose upon any Noteholder any personal liability other or further than the liability to pay or deliver to the Banks, so long as any part of the Bank Indebtedness shall remain unsatisfied, any sum or sums or any security or securities or other property which shall, contrary to the provisions of paragraph 2 above, be paid or delivered to such Noteholder by the Mills, or in connection with the liquidation or reorganization of the Mills, on account of or in substitution for any of the Notes. The Noteholders hereby authorize the Banks to—

(*a*) Collect any distributions or payments which would otherwise be payable to the Noteholders on any liquidation of the Mills, or in any proceedings affecting the Mills under any bankruptcy or insolvency laws or laws relating to the relief of debtors, readjustment, composition or extension of indebtedness, or reorganization of corporations or other debtors.

(*b*) Prove the claims of the Noteholders in any such proceedings.

(*c*) Accept or reject, to the extent to which the Noteholders would be entitled to accept or reject, any plan of reorganization in any such proceedings.

(*d*) Accept any new securities or other property to which the Noteholders would otherwise be entitled under any such plan of reorganization or proceedings.

(*e*) In general to do any act in connection with such proceedings which the Noteholders might otherwise do, it being understood that the Banks shall account to the Noteholders for any amounts in excess of the amount necessary to satisfy the Bank Indebtedness which may be received by them respectively from any distributions or payments in any such proceedings or in respect of any securities received in any such proceedings, and shall likewise account to the Noteholders for all such securities or other property received by the Banks, but the Banks shall have no duty as to the collection or protection of securities so received by them, or any income thereon, nor as to the preservation of any rights pertaining thereto, but only for the safe custody thereof.

6. At any time when there shall be no Bank Indebtedness, as hereinbefore defined, existing and unsatisfied, the Mills may, in behalf of itself and in behalf of the Noteholders, give to the Banks written notice of the termination of this agreement and thereafter this agreement shall not be applicable to any new loans which may thereafter be made to the Mills by the Banks.

In Witness Whereof said Talbot Mills, Inc. has caused these presents to be executed by Thomas Talbot Clark, its Treasurer, and its corporate seal to be hereto affixed and attested by Lincoln Clark, its clerk, both in its individual capacity and as agent and attorney for the Noteholders, pursuant to the power to that end conferred on it by the terms of the Notes, the day and year first above written.

TALBOT MILLS, Inc.
By Thomas Talbot Clark
its Treasurer.

Attest: /s/ LINCOLN CLARK Clerk

* * * * * *

AGREEMENT SUPPLEMENTAL TO AGREEMENT OF OCTOBER 10, 1939, BY TALBOT MILLS, INC. WITH THE FIRST NATIONAL BANK OF BOSTON AND THE NEW ENGLAND TRUST COMPANY

This Agreement made this 27th day of November, 1939, by Talbot Mills, Inc. (hereinafter called the "Mills") and the holders of its notes of the series dated October 2, 1939 (hereinafter called the "Noteholders") with The First National Bank of Boston and The New England Trust Company (hereinafter called the "banks").

Witnesseth That:

Whereas the Mills and the Noteholders (acting by the Mills as agent and attorney-in-fact for the Noteholders) have executed and delivered to the Banks a certain subordination agreement dated October 10, 1939; and

Whereas further corporate action has been required by the Banks for the purpose of further assurance of such subordination; and

Whereas at a meeting of the Board of Directors of the Mills, duly held November 27, 1939, such further corporate action was taken as follows:

> "It was reported to the meeting that subsequent to the directors' meeting of October 10, 1939, and pursuant to the action taken at that meeting, the Treasurer of this corporation had executed and delivered a subordination agreement with The First National Bank of Boston and The New England Trust Company, substantially in the form submitted to the said meeting of October 10, 1939; that thereafter some question had arisen with respect to the efficacy of the same in view of the circumstances that the $400,000 of registered notes of the corporation dated October 2, 1939, were not actually signed and delivered until subsequent to said meeting of October 10, 1939; that for this reason the said Banks have required, as a condition of their refraining from demanding

payment of this corporation's indebtedness to them, that further corporate action be taken for the purpose of further assurance of such subordination; and that the said $400,000 of registered notes have, previous to this meeting, been signed and delivered. Thereupon, and in consideration of the premises, upon motion duly made and seconded, it was unanimously

"Voted: That (without in any wise imputing invalidity or inadequacy to the vote of the directors at their meeting of October 10, 1939, or the subordination agreement of that date) in pursuance of the powers granted or reserved to this corporation in each of its notes of the series dated October 2, 1939, to be exercised by vote of its Board of Directors, all of the notes of said series are hereby subordinated as to both principal and interest to all present and future indebtedness of the corporation maturing not later than December 1, 1964 to The First National Bank of Boston and The New England Trust Company, or either of them, and to all interest accrued or accruing on any such indebtedness, and further in pursuance of said powers that the Treasurer of the corporation be and hereby is authorized and instructed to execute and deliver for and in behalf of the corporation, both as principal and as agent and attorney-in-fact for all holders of the said notes dated October 2, 1939, a formal subordination agreement with the said Banks, in form similar to said subordination agreement of October 10, 1939, and further, in order that no actual re-execution of such subordination agreement may be necessary, that the said agreement dated October 10, 1939, as already executed and delivered, be and the same hereby is adopted as and for the present agreement of this corporation, made pursuant to this vote and to the authority hereby conferred, and that the Treasurer of this corporation be and hereby is authorized and instructed to execute and deliver to the said Banks a supplemental agreement of this corporation, reciting this vote and adopting the said agreement of

October 10, 1939 and all and every the terms and conditions thereof as and for the present agreement of this corporation and as and for a present exercise of every power vested in this corporation by the terms of the said notes whereby such subordination is authorized and enabled, and that the execution and delivery by the Treasurer of such agreement shall be sufficient evidence of its compliance with the provisions of this vote and sufficient evidence of his authority to act hereunder."; and

Whereas it is desired to make this supplemental agreement in accordance with the terms of the foregoing vote;

Now Therefore the Mills and the Noteholders, in consideration of the premises and in order to induce the Banks not to demand payment of the Bank Indebtedness (as that expression is used in said agreement dated October 10, 1939) hereby agree with the Banks as follows:

The said subordination agreement dated October 10, 1939, is hereby adopted as and for the agreement of the Mills and of the Noteholders with the Banks with precisely the same full force and effect as if an agreement identical in terms therewith had been this day executed and delivered; and each and every term and condition of the said agreement dated October 10, 1939 is by reference incorporated herein and made a part hereof and shall be binding upon, and inure to the benefit of, the parties in accordance with the tenor thereof.

In Witness Whereof said Talbot Mills, Inc. has caused these presents to be executed by Thomas Talbot Clark, its Treasurer, and its corporate seal to be hereto affixed and attested by Lincoln Clark, its Clerk, both in its individual capacity and as agent and attorney-in-fact for the Noteholders, pursuant to the power to that end conferred upon it by the terms of the notes, the day and year above written.

TALBOT MILLS, Inc.

By: Thomas Talbot Clark (SEAL)

Its Treasurer

Attest: Lincoln Clark Clerk

Accepted

THE FIRST NATIONAL BANK OF BOSTON
By L. D. Brace Its Vice Pres.
THE NEW ENGLAND TRUST COMPANY
By Stanley A. Lawry Its Vice Pres.

* * * * * *

EXHIBIT 7-G.

September 29, 1939
September 22, 1939

Call for Stockholders' Meeting

To the Stockholders of Talbot Mills, Inc.

You are hereby notified that a special meeting of the stockholders of Talbot Mills, Inc., a Massachusetts corporation, will be held at the office of the corporation at its Mill in North Billerica, Massachusetts, on Friday, September 29, 1939, at 10.00 A.M., for the purpose of considering and acting upon a proposed plan of reorganization, approved and recommended to the stockholders for adoption by the directors of the corporation at a meeting held September 14, 1939, which plan contemplates the issue of Four Hundred Thousand Dollars ($400,000) principal amount of registered notes of the corporation in exchange for a like amount in par value of its capital stock, and the reduction of the capital of the corporation from Five Hundred Thousand Dollars ($500,000) to One Hundred Thousand Dollars ($100,000), to be accomplished by the cancellation of the stock so received in exchange, and for the further purpose of authorizing such action by the directors and officers of the corporation as may be necessary or convenient for the carrying into effect of said plan of reorganization or in any wise incidental thereto.

LINCOLN CLARK Clerk

September 29, 1939

A special meeting of the stockholders of Talbot Mills was this day held at the office of the corporation North Billerica, Mass. at 10 A.M.

The call for the meeting was mailed or delivered in person to each stockholder in accordance with the by laws and a copy of same will be found on page 32.

The meeting was called to order by the President Thomas T. Clark.

Present	No. of shares
M. Allison Taylor, Trustee Gert. Talbot Taylor	210
M. A. Taylor, Executor Estate of Gert. Talbot Taylor	60
M. A. Taylor	10
Harriet Talbot Parker	270
J. Colby Bassett	10
J. Colby Bassett, Treas. Moses Greely Parker Trust	555
Thomas T. Clark	460
Frederic S. Clark, Jr.	400
Lincoln Clark	400
Lincoln Clark & J. Colby Bassett	
Proxy for Grace T. Randall	1375
Proxy for Darley Randall	10
Proxy for Sydney S. H. Ewart	555
Proxy for Elizabeth T. Towne	50
John M. Eaton	5
John M. Eaton Proxy for Isabella H. Eaton	630
	5,000 shares

The clerk read the call for the meeting.

It was voted to dispense with the reading of the records of the previous meeting.

The Treasurer explained to the stockholders the Plan of Reorganization of the corporation which was approved, and recommended to the stockholders for adoption, by the Board of Directors at the directors' meeting held on September 14, 1939.

Thereupon, on Mr. Eaton's motion seconded by Mrs. Parker, it was unanimously

Voted: To approve and adopt the said Plan of Reorganization.

And further on Mrs. Parker's motion, seconded by Mr. Eaton, it was unanimously

Voted: That the officers and directors of the corporation, and any of them, be and hereby are authorized and instructed to take all steps necessary or convenient for the carrying into effect of the said Plan of Reorganization or in any wise incidental thereto, including, without limiting the generality of the foregoing, the execution in the name and behalf of the corporation of the notes therein referred to in the form therein provided, which is hereby approved, and the delivery of such notes in exchange for stock of the corporation, in accordance with the terms of said Plan of Reorganization.

Thereafter, on Mr. Bassett's motion, seconded by Mr. Taylor, it was unanimously

Voted: That, effective as hereinafter provided,

the capital stock of this corporation be and hereby is reduced from $500,000, consisting of 5,000 shares of $100.00 par value each, to $100,000, consisting of 1,000 shares of $100.00 par value each, such reduction to be effected by the cancelling and retiring of 4,000 shares heretofore issued and outstanding which are presently to be acquired by the corporation in exchange for a certain issue of registered notes of the corporation;

the Agreement of Association and Articles of Organization of this corporation, as heretofore amended, be and each hereby is further amended by striking out the provisions thereof stating the total amount of its authorized capital stock, the par value of its shares and the number of its shares, and by substituting therefor the following:

"The total authorized capital stock with par value is $100,000—the par value of its shares is Common $100.00—the

number of its shares with par value is Common 1000"; and Articles of Amendment be prepared, executed and filed as required by law, setting forth the foregoing reduction of capital;

provided that this vote shall, without the necessity of other or further action by the stockholders, take effect at such time as the corporation shall by the exchange of its registered notes for stock as above referred to have acquired and hold in its treasury, available for cancellation to accomplish the purposes of this vote, 4,000 shares of its presently outstanding common capital stock, the time of such acquisition and hence the effective time of this vote to be conclusively determined by the action of the proper officers of the corporation in including in the Articles of Amendment "Reduction of Capital", to be filed as aforesaid, a statement with respect to the same.

And further on Mr. Taylor's motion, seconded by Mr. F. S. Clark, Jr. It was unanimously

Voted: That in the event that the foregoing vote does not take effect in accordance with its terms within thirty (30) days from October 2, 1939, then the same shall be completely null and void.

Thereafter, no further business coming before the meeting, it was, upon motion duly made and seconded,

Voted: To adjourn.

Adjourned.

A true record.

Attest: LINCOLN CLARK Clerk

(EXCERPTS FROM) EXHIBIT 8-H.

May 8th, 1939

A meeting of the Board of Directors of Talbot Mills was this day held at the office of the Corporation, North Billerica, Mass. at 10 A.M.

* * * * * *

The President reported that the set of cards was purchased from the Ames Worsted Co., and would be running in two weeks.

The Treasurer reported that further efforts to sell mill tenements had produced no results.

* * * * * *

The Treasurer presented reports for the 4 weeks period ending April 15th, and for the six months period ending April 15th. He also explained that business was in a between season's slump, and that it might be necessary to shut the looms down within a week. Prospects for fall business are still fair.

On motion duly made and seconded

It was voted:—To accept the reports of the Treasurer.

Upon motion duly made and seconded, it was

Voted:—To authorize the Treasurer to retain counsel to examine the capital structure of the company with the view to seeing if any modification can be made in same to the advantage of the company.

Voted, To dissolve

A true record

Attest LINCOLN CLARK Clerk

(EXCERPTS FROM) EXHIBIT 9-I.

September 14, 1939

A meeting of the Board of Directors of Talbot Mills was this day held at the office of the Corporation, North Billerica, Mass. at 11 A.M.

* * * * * *

On Mr. Bassett's motion seconded by Mr. F. S. Clark, Jr.

It was Voted:—

That an appropriation of $25,000 for new machinery and improvements be authorized.

The Treasurer reported that the tenements and vacant land will be auctioned on Sept. 30th.

On Mr. Eaton's motion, seconded by Mr. Bassett

It was Voted:—

That the action of the Treasurer in disposing at auction of all property not needed for manufacturing purposes be approved.

On Mr. Bassett's motion seconded by Mr. Taylor,

It was Voted:—

That the plan of reorganization and form of note annexed hereto be adopted and approved and that its adoption be recommended to the stockholders.

On motion duly made and seconded,

It was Voted:—

That a Special Meeting of the Stockholders be called for Sept. 29th at 10 A.M., for the purpose of considering the Plan of Reorganization.

Voted to dissolve

A true Record

Attest LINCOLN CLARK Clerk

The "Plan of Reorganization" referred to in the foregoing is separately attached to this stipulation as Exhibit 3-C.

(EXCERPTS FROM) EXHIBIT J.

September 29, 1939

A meeting of the Board of Directors of Talbot Mills was this day held at the office of the Corporation, North Billerica, Mass. at 10:40 A.M. immediately following the Special Meeting of the stockholders,

* * * * * *

The meeting was informed with respect to the action taken by the stockholders of the corporation at their meeting held earlier this day, whereby the plan of reorganization, which was approved and recommended to the stockholders by this Board at its meeting held on September 14, 1939, was approved and adopted by the stockholders and certain votes were taken in pursuance thereof.

Thereafter upon motions duly made and seconded, it was unanimously

Voted: That the President and Treasurer of the corporation be and hereby are authorized and directed to execute in the name and behalf of the corporation notes in the form approved at the meeting of the stockholders held on September 29, 1939 in the aggregate principal amount of $400,000 and to deliver the same in exchange for stock of the corporation in accordance with the provisions of and subject to the conditions of the plan of reorganization adopted at said stockholders' meeting.

And further

Voted: That the Clerk of the corporation be and hereby is authorized and directed to act as the agent of the corporation for the authentication of notes issued under the foregoing vote and for the notation of any and all transfers thereof.

And further

Voted: That the officers of the corporation and any of them be and hereby are authorized and instructed to take all steps (not covered by the preceding votes) necessary or convenient for the carrying into effect of the said plan of reorganization or in any wise incidental thereto including, without limiting the generality of the foregoing, the making of the exchange provided by said plan of reorganization in accordance with the authority granted to such officers or any of them by the deposit agreements and powers of attorney relating to said plan of reorganization heretofore or hereafter filed with the corporation by its several stockholders.

On request the President retired from the meeting and the clerk presided.

On Mr. Bassett's motion seconded by Mr. Eaton

It was Voted:—

To pay to Thomas T. Clark, Treasurer, additional compensation of $1,000 because of the special services he has performed for the company in connection with the rehabilitation of the manufac-

turing plant and reorganization of the capital structure of the corporation.

The President then returned and was informed of the vote.

Voted To dissolve

A True Record

Attest LINCOLN CLARK Clerk

(EXCERPTS FROM) EXHIBIT 11-K.

October 10, 1939

A meeting of the Board of Directors of Talbot Mills was this day held at the office of the corporation, North Billerica, Mass. at 11 A.M.

* * * * * *

It was reported to the meeting that the exchange of notes of this corporation for stock, authorized by the plan of reorganization approved and adopted at the meeting of the stockholders on September 29, 1939, was completed on October 2nd, 1939 on which date the corporation acquired and held in its treasury available for cancellation four thousand (4000) shares of its previously outstanding common capital stock and that upon that date, therefore, the vote of the stockholders taken at their said meeting on September 29th, 1939 for the reduction of the capital stock of the corporation to $100,000, consisting of 1000 shares of $100 par value each, became effective.

Thereupon, on Mr. Bassett's motion, seconded by Mr. Taylor, it was unanimously

Voted: That the officers and directors executing the articles of amendment "Reduction of Capital" setting forth the reduction voted at a meeting of the stockholders of the corporation on September 29, 1939 be and hereby are authorized and directed to include in the said articles of amendment a statement that the corporation on October 2 1939 acquired and held in its treasury available for cancellation to accomplish the purposes of said reduction of capital four thousand

(4000) shares of its common capital stock outstanding on September 29, 1939, and that hence said reduction became effective on October 2, 1939.

It was reported to the meeting that the First National Bank of Boston and the New England Trust Company, to each of which banks the corporation is indebted in the principal amount of $50,000, have required as a condition of their refraining from demanding payment of said indebtedness and interest that the series of registered notes of this corporation dated October 2, 1939 be subordinated, as to both principal and interest, to this corporation's indebtedness to the said banks and likewise to any future indebtedness to the said banks maturing not later than December 1, 1964 and all interest accrued or accruing on any such indebtedness and have further required the execution and delivery of a formal subordination agreement in the form submitted to this meeting.

Thereupon, on Mr. Bassett's motion seconded by Mr. Eaton, it was unanimously

Voted: That in pursuance of the powers granted or reserved to the corporation in each of its notes of the series dated October 2, 1939, to be exercised by vote of its Board of Directors, all of the notes of said series are hereby subordinated as to both principal and interest to all present and future indebtedness of the corporation maturing not later than December 1, 1964 to the First National Bank of Boston and the New England Trust Company, or either of them, and to all interest accrued or accruing on any indebtedness, and further in pursuance of said powers that the Treasurer of the corporation be and hereby is authorized and instructed to execute and deliver for and in behalf of the corporation, both as principal and as agent and attorney in fact for all holders of the said notes dated October 2, 1939, a formal subordination agreement with the said banks containing the terms of this vote of subordination and such other and further appro-

priate terms and provisions as may be required by said banks, which agreement may be in the form or substantially the form submitted to this meeting, and that the execution and delivery by the Treasurer of said agreement shall be sufficient evidence of its compliance with the provisions of this vote and sufficient evidence of his authority to act hereunder.

And further, on Mr. Bassett's motion, seconded by Mr. Eatorf, it was unanimously

Voted: That in pursuance of the powers granted or reserved to the corporation in each of its notes of the series dated Oct. 2, 1939 to be exercised by vote of its Board of Directors, all of the notes of said series are hereby subordinated as to both principal and interest to the currently existing $100,000 machinery loan of Parker Wilder & Co. and that this subordination is junior to the subordinations previously voted in favor of the First National Bank of Boston and the New England Trust Co.

Voted To dissolve.

A True Record

Attest LINCOLN CLARK Clerk

(EXCERPTS FROM) EXHIBIT 12-L.

November 27, 1939

A meeting of the Board of Directors of Talbot Mills was this day held at the office of the corporation, North Billerica, Mass. at 10 A.M.

* * * * * *

On Mr. Bassett's motion seconded by Mr. Eaton, it was

Voted: To authorize the expenditure of $25,000 for new machinery, and it was further

Voted: To approve an additional expenditure of not exceeding $15,000 for improvements of buildings and equipment.

* * * * * *

It was reported to the meeting that subsequent to the directors' meeting of October 10, 1939, and pursuant to the action taken at that meeting, the Treasurer of this corporation had executed and delivered a subordination agreement with The First National Bank of Boston and The New England Trust Company, substantially in the form submitted to the said meeting of October 10, 1939; that thereafter some question had arisen with respect to the efficacy of the same in view of the circumstance that the $400,000 of registered notes of the corporation dated October 2, 1939, were not actually signed and delivered until subsequent to said meeting of October 10, 1939; that for this reason the said Banks have required, as a condition of their refraining from demanding payment of this corporation's indebtedness to them, that further corporate action be taken for the purpose of further assurance of such subordination; and that the said $400,000 of registered notes have, previous to this meeting, been signed and delivered. Thereupon, and in consideration of the premises, upon motion duly made and seconded, it was unanimously

Voted: That (without in any wise imputing invalidity or inadequacy to the vote of the directors at their meeting of October 10, 1939, or the subordination agreement of that date) in pursuance of the powers granted or reserved to this corporation in each of its notes of the series dated October 2, 1939, to be exercised by vote of its Board of Directors, all of the notes of said series are hereby subordinated as to both principal and interest to all present and future indebtedness of the corporation maturing not later than December 1, 1964 to The First National Bank of Boston and The New England Trust Company, or either of them, and to all interest accrued or accruing on any such indebtedness, and further in pursuance of said powers that the Treasurer of the corporation be and hereby is authorized and instructed to execute and deliver for and in behalf of the corporation, both as principal and as agent and attorney-in-fact for all holders of the said notes dated October 2, 1939, a formal subordination agreement with the said Banks, in form similar to said subordination agreement of October

10, 1939, and further, in order that no actual re-execution of such subordination agreement may be necessary, that the said agreement dated October 10, 1939, as already executed and delivered, be and the same hereby is adopted as and for the present agreement of this corporation, made pursuant to this vote and to the authority hereby conferred, and that the Treasurer of this corporation be and hereby is authorized and instructed to execute and deliver to the said Banks a supplemental agreement of this corporation, reciting this vote and adopting the said agreement of October 10, 1939 and all and every the terms and conditions thereof as and for the present agreement of this corporation and as and for a present exercise of every power vested in this corporation by the terms of the said notes whereby such subordination is authorized and enabled, and that the execution and delivery by the Treasurer of such agreement shall be sufficient evidence of its compliance with the provisions of this vote and sufficient evidence of his authority to act hereunder.

Thereafter, it was stated to the meeting that in view of the foregoing action, it was desirable to restate as of this date the subordination of the said notes to the indebtedness to Parker Wilder & Co., as voted at said meeting of October 10, 1939, and thereupon, upon motion duly made and seconded, it was unanimously

Voted: That in pursuance of the powers granted or reserved to the corporation in each of its notes of the series dated October 2, 1939, to be exercised by vote of this Board of Directors, all the notes of said series are hereby subordinated as to both principal and interest to the currently existing $100,000 machinery loan of Parker Wilder & Co., it being understood that the subordination hereby voted is subject and junior to the subordination to certain indebtedness to The First National Bank of Boston and The New England Trust Company as voted October 10, 1939, and as again voted earlier this day.

Voted To dissolve

A true Record

Attest LINCOLN CLARK Clerk

(EXCERPTS FROM) EXHIBIT 13-M.

Sept. 17, 1940.

A meeting of the Board of Directors of Talbot Mills was held this day at the office of the Corporation, No. Billerica, Mass. at 10:30 A.M.

* * * * * *

On motion of Mr. Eaton, seconded by Mr. Taylor it was

Voted That the Treasurer of this Corporation be and he hereby is authorized and directed to ascertain and fix, as soon after the close of the current fiscal year as possible, as of the close of the current fiscal year, the rate of interest upon the registered notes of this corporation earned and accrued for and on account of the current fiscal year.

* * * * * *

On Mr. L. Clark's motion, seconded by Mr. Taylor it was

Voted to authorize the expenditure of $55,000 for 5 tape condensers, 1 dry cleaner, and one fulling mill during the next fiscal year.

Voted to adjourn

A true record:

Attest LINCOLN CLARK Clerk

(EXCERPTS FROM) EXHIBIT 14-N.

Nov. 27, 1940

A meeting of the Board of Directors of Talbot Mills was held this day at the office of the Corporation, North Billerica, Mass. at 10 A.M.

* * * * * *

It was reported to the meeting by the Treasurer that, pursuant to the authority conferred upon him by vote of the Board at its meeting on September 17, 1940, he had ascertained and fixed at 10 per cent the rate of interest applicable to the registered notes of this Corporation for and on account of the fiscal year ended September 28, 1940, such rate of 10 per cent being a rate less

than that computable with reference to the net earnings of said fiscal year under the terms of said notes but being the maximum rate provided by the terms of said notes.

And thereupon, upon motion duly made and seconded, it was

Voted That the determination by the Treasurer as aforesaid be and hereby is accepted and approved.

Upon Mr. Eaton's motion, duly seconded, it was

Voted: To defer, pursuant to the terms of the registered notes due December 1, 1964, of this corporation, the payment of three-fourths of the annual installment of interest, for and on account of the fiscal year ended September 28, 1940, which under the terms of such notes becomes payable (unless deferred) on December 1, 1940, it being hereby determined by the Board that such deferment is necessary by reason of the condition of the corporation; and that such deferment shall continue to that date, not later than Dec. 1, 1964, at which, by further vote of the Board, it shall be determined that the need therefor has ceased.

The Treasurer reported the ability to pay all bank loans and the arrangement to borrow $400,000 at 3%.

* * * * * *

Voted to dissolve

A true record

Attest. LINCOLN CLARK Clerk

(EXCERPTS FROM) EXHIBIT 15-O.

March 28, 1941.

A meeting of the Board of Directors of Talbot Mills was this day held at the office of the Corporation, North Billerica, Mass. at 10 A.M.

* * * * * *

The Treasurer reported that he had seen Parker Wilder's bal- ... Jan. 1, 19... nd that our credit balance was amply protected.

Replacement & Improvement Program

	Total	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951
General											
Bridge	$5,000				5,000						
Picking											
2 Pickers	10,000			10,000							
Carding											
5 Condensers	20,000	12,000	8,000								
Spinning											
24 Frames @ $7,000 (Units of 6)	168,000		42,000		42,000		42,000	42,000			
Winding											
Schweiter Winders	22,000								22,000		
Weaving											
60 W 2 Looms	90,000	18,000		36,000		36,000					
Carbo											
Widen & Speed up New tank & Dryer	20,000	20,000									
Dyeing											
2 Steel Kettles	8,000			4,000	4,000						
Finishing											
Misc.	10,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Power											
Boilers	40,000									40,000	
Generators	50,000										50,000
Total	443,000	51,000	51,000	51,000	52,000	37,000	43,000	43,000	23,000	41,000	51,000

The President reported the situation with respect to unfilled orders and raw material commitments.

The President reported on recent installations of machinery, on improvements effected by the organization, and on savings in materials and labor resulting therefrom.

The President presented the attached ten year program for replacement and improvement of machinery and equipment and on Mr. Taylor's motion, seconded by Mr. Eaton it was

Voted:—That the program be adopted in principle.

* * * * * *

On Mr. Eaton's motion, seconded by Mr. Taylor It was

Voted:—That the deferment of the payment of the interest hereinafter specified, upon the registered notes of the corporation, shall hereupon cease, it being hereby determined that the need for such deferment, by reason of the condition of the corporation, has ceased; this vote to apply to one-third of the three-fourths of the interest for and on account of the fiscal year ended September 28, 1940, deferred by vote of the Directors on November 27, 1940.

* * * * * *

Voted to dissolve

A true Record

Attest LINCOLN CLARK Clerk

(EXCERPTS FROM) EXHIBIT 16-P.

September 15, 1941

A meeting of the Board of Directors of Talbot Mills was this day held at the office of the Corporation, North Billerica, Mass. at 3 P.M.

* * * * * *

On Mr. Eaton's motion seconded by Mr. F. S. Clark, Jr., it was

Voted: That the deferment of the payment of the interest hereinafter specified, upon the registered notes of the cor-

poration, shall hereupon cease, it being hereby determined that the need for such deferment, by reason of the condition of the corporation, has ceased; this vote to apply to one half of the interest for and on account of the fiscal year ended September 28, 1940, deferred by vote of the directors on November 27, 1940.

On Mr. Eaton's motion seconded by Mr. Taylor, it was

Voted: That the treasurer of this corporation be and he hereby is authorized and directed to ascertain and fix, as soon after the close of the current fiscal year as possible, as of the close of the current fiscal year, the rate of interest upon the registered notes of this corporation earned and accrued for and on account of the current fiscal year.

* * * * * *

Voted to dissolve
A True Record
Attest LINCOLN CLARK Clerk

(EXCERPTS FROM) EXHIBIT 17-Q.

November 24, 1941

A meeting of the Board of Directors of Talbot Mills was this day held at the office of the Corporation, North Billerica, Mass. at 10 A.M.

* * * * * *

It was reported to the meeting by the treasurer that pursuant to the authority conferred upon him by vote of the board at its meeting of September 15, 1941, he had ascertained and fixed at 10% the rate of interest applicable to the registered notes of this corporation for and on account of the fiscal year ended October 4, 1941, such rate of 10% being a rate less than that computable with reference to the net earnings of said fiscal year under the terms of said notes but being the maximum rate provided by the

terms of said notes. And thereupon, upon motion duly made and seconded it was

Voted: that the determination by the treasurer as aforesaid be and hereby is accepted and approved.

Upon Mr. Taylor's motion duly seconded it was

Voted: to defer, pursuant to the terms of the registered notes due December 1, 1964, of this corporation, the payment of 3/4's of the annual installment of interest, for and on account of the fiscal year ended October 4, 1941, which under the terms of such notes becomes payable (unless deferred) on December 1, 1941, it being hereby determined by the board that such deferment is necessary by reason of the condition of the corporation; and that such deferment shall continue to that date, not later than December 1, 1964, at which, by further vote of the board, it shall be determined that the need therefor has ceased.

* * * * * *

Voted to dissolve.

A true record

Attest LINCOLN CLARK Clerk